

Annex A: Regulatory Developments in other countries: Mobile Call Termination, January 2005

The following section describes the key recent developments in the European Union ('EU') and selected countries in which Vodafone has significant interests. Many of the regulatory developments reported in the following section involve on-going proceedings or consideration of potential regulation which have not reached a conclusion.

European Union

The Member States of the European Union ('Member States') were expected to implement the new EU Regulatory Framework for the communications sector ('the new EU Framework') into national law by 24 July 2003. Seven member states had implemented the new EU framework by July 2003 and others have since done so. As of 14 January 2005, only Belgium, Greece and Luxembourg had yet to notify the EU Commission of implementation.

Ireland

On 9 December 2004, the Irish NRA published its decision following a review of the market for wholesale access and call origination in mobile networks. It has found that Vodafone and O2 are jointly dominant in the market and it proposes access obligations to remedy this finding. The decision has been notified to the EU as is required under the new EU framework. A final outcome should be known in 2005 subject to any legal appeals.

Hungary

In its review of the market for voice call termination on individual mobile networks, the NRA has proposed that all mobile network operators have SMP and has proposed the imposition of obligations of cost-orientation, non-discrimination, accounting separation and transparency. In its review of the market for mobile access and call origination the NRA found that no mobile network operator had SMP.

Sweden

In its market review of the market for voice call termination on individual mobile networks, the NRA has concluded that all mobile network operators have SMP and has proposed the imposition of obligations of cost-orientation, non-discrimination, accounting separation and transparency. The NRA has developed a Long Run Incremental Cost model ('LRIC model') to determine cost oriented mobile call termination rates and has proposed rates of SEK 0.76 from July 2004 and reducing to SEK 0.51 by July 2007.

Vodafone Sweden is appealing various aspects of the decision including the finding of SMP and the proposed rates.

France

Mobile termination for the operators deemed to be dominant on the national interconnection market (90% of the volume of traffic) has been regulated since 2000 on a cost-orientation basis and this regulation is further extended with the implementation of the new EU Framework which

commenced in 2004 when the new law was enacted and the market reviews started by the NRA.

At the end of the notification process to Competition Authorities, the European Commission and other European regulators, the ART issued on December 10 2004 the final decision resulting from its analysis of the wholesale mobile voice call termination market (market 16).

ART has designated the three mobile operators (Orange France, SFR and Bouygues) as having SMP in the provision of voice call termination on their respective networks in France. ART imposes 'glide path' reductions to the mobile termination rates of all three operators for the years 2005 and 2006. A further reduction will be imposed for year 2007 but has not yet been evaluated by the NRA.

The decision has been notified to the EU as is required under the new EU framework. A final outcome should be known in 2005 subject to any legal appeals.

Italy

The Italian NRA. Agcom has commenced its market review process and the market for mobile call termination has been a key focus of its attention.

We anticipate that a decision by Agcom is imminent and will include Agcom's proposals for a price cap. We expect that the price cap will reflect the current downward EU trend and we speculate that that they will probably also include price cuts for a three-year period. In addition we expect Agcom's proposals on cost modelling and on how it proposes to deal with the issue of symmetric rates for all firms in the Italian market.

Poland

The NRA is expected to begin its market reviews in the first quarter of 2005.

Greece

In its review of the market for voice call termination on individual mobile networks, the NRA has proposed that all mobile network operators have SMP and has proposed the imposition of obligations of cost-orientation, non-discrimination, accounting separation and transparency. From 1 October 2004, Vodafone Greece agreed to reduce its mobile termination rate from approximately 17 eurocents to 14.5 eurocents per minute.

Malta

Legislation implementing the new EU Framework in Malta, which joined the EU on 1 May 2004, has been adopted during 2004. The NRA is currently consulting on the regulation of interconnection, including the regulation of mobile call termination. Call termination decided

Portugal

Portugal enacted national law implementing the new EU Framework in February 2004. The NRA has commenced its market reviews, which are expected to be completed in the second quarter of 2005. Market analysis for call termination now decided and has been notified to the European Commission.

Spain

In October 2004, the NRA required mobile termination rates charged by Vodafone Spain to be reduced by 10.5%. The NCA is continuing its investigation of alleged price squeezing against Vodafone Spain, Telefonica Moviles and Amena. Vodafone Spain is contesting the allegations and a decision is expected in late 2004. price squeeze claim decided

Romania

In March 2003, the NRA determined Mobifon S.A. as having SMP in the national interconnection market. From 31 December 2003 until the development of a LRIC model, Mobifon's mobile termination rates were reduced from US\$0.11 to US\$0.10.

Switzerland

Switzerland is not part of the EU and has a different regulatory regime. Regulatory action can only occur ex post.

The National Competition Authority is currently investigating whether mobile operators in Switzerland are dominant in the call termination market, and if found dominant, whether they are abusing that dominance. Decisions will be taken during 2005. If dominance is found, the Swiss regulator is likely to apply similar remedies to mobile call termination rates as has been applied in other European markets (e.g. cost orientation).

Japan

In October 2004, the NRA announced a review of mobile market competition, which we expect to be finalized by the end of March 2005.

Australia

The Australian Consumer and Competition Commission, the NRA, released their final decision on the market for mobile termination in June 2004. In its review it proposed that all mobile network operators have market power and proposes a pricing principle that requires current mobile termination rates to fall from 21 Australian cents per minute to 12 Australian cents per minute by 1 January 2007. Vodafone Australia is appealing the NRA's Final Decision to the Federal Court of Australia. It is expected that the hearing will be in the first quarter of 2005. Vodafone Australia has also lodged a voluntary undertaking with the NRA that provides MTR cost information and proposed MTR reductions. These proposed reductions are significantly higher than those proposed by the NRA in its final decision.

New Zealand

The NRA has released an issues paper proposing regulation of mobile termination rates. A final report will be prepared by the NRA and is expected in April 2005.